

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 ABF-01 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 DODE-00 PA-02 PRS-01 AGRE-00

FEAE-00 INT-05 FSE-00 /100 W

-----071340Z 097726 /43

R 070855Z JUN 77

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 1564

UNCLAS LAGOS 06387

E.O. 11652: N/A

TAGS: EFIN, NI

SUBJECT: FY 1977/78 NIGERIAN CAPITAL BUDGET INCREASE

REF: LAGOS 6213

1. FEDERAL MINISTRY FINANCE DEPUTY PRINCIPAL SECRETARY (BUDGET) J.C. OBI CONFIRMED APPROXIMATE NAIRA 1.7 BILLION CAPITAL BUDGET INCREASE WHICH RESULTS IN A TOTAL FEDERAL CAPITAL BUDGET OF NAIRA 7.2 BILLION FOR FY 1977-78. HOWEVER, HE DISCLAIMED NEW CAPITAL BUDGET BREAKDOWN BY MINISTRY WHICH WAS REPORTED IN THE PRESS AND ATTRIBUTED TO FINANCE MINISTRY SOURCES (PARA 2 REFTEL). OBI SAID MINISTERIAL ALLOCATION OF INCREASE NOT YET COMPLETED: THEREFORE MEDIA BUDGET BREAKDOWN BY MINISTRY WAS "FICTITIOUS."

2. ACCORDING TO OBI, NAIRA 1.7 BILLION INCREASE ONLY PARTLY DUE TO INFLATION. ORIGINAL NAIRA 5.5 BILLION CAPITAL BUDGET DID NOT COMPLETELY COVER FEDERAL CAPITAL SPENDING COMMITMENTS FOR FY 1977-78-- WHICH OBI ESTIMATED AT NAIRA 5.8 BILLION. REMAINING FUNDS WILL FINANCE NEW PRIORITY PROJECTS PLUS INFLATION CONTINGENCY.

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EM WHEN ASKED HOW THE INCREASED BUDGET WILL BE FINANCED, OBI REPLIED WITH THE FREQUENTLY HEARD ARGUMENT THAT FUNDS WOULD BE TRANSFERRED FROM THE SURPLUS ACCRUED FROM THIS FISCAL YEAR'S RECURRENT EXPENDITURE BUDGET. FYI: FEDERAL MINISTRIES TRADITIONALLY OVERESTIMATE THEIR RECURRENT EXPENDITURE NEEDS END FYI. ANOTHER REVENUE SOURCE IS FEDERAL INTERNAL BORROWING.

4. COMMENT: MOST LIKELY THERE IS STILL MUCH IN FIGHTING  
AMONG MINISTRIES FOR THEIR SHARE CAPITAL BUDGET. HOPEFULLY  
DEFINITIVE ALLOCATION WILL BE MADE PUBLIC IN FEW WEEKS. ALSO,  
OBI DID NOT LIST FOREIGN BORROWING AMONG CAPITAL REVENUE  
SOURCES. WHEN QUERIED BY EMBOFF, HE SAID THAT THE FMG WAS STILL  
STUDYING THIS OPTION, BUT INFERENCE WAS THAT LARGE INFUSION  
FOREIGN LOANS NOT NEEDED TO FINANCE FY -977-78 CAPITAL BUDGET.  
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## Message Attributes

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**Review Markings:**  
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